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THE GRANBY MINING COMPANY LIMITED
ANNUAL REPORT 1968

FRONT COVER:

A view of the Phoenix Copper Division open-pit mine.

BACK COVER:

The Granisle plant and mine.

THE GRANBY MINING COMPANY LIMITED

DIRECTORS

*Marsh A Cooper	*Robert M. MacRae
*Thomas G. Ewart	P. Robert Matthew
Alfred H. Hauser	Joseph S. Nye
William F. James	*Lawrence T. Postle
William G. Lane	George T. Smith

*Members of Executive Committee

OFFICERS

Lawrence T. Postle	President
Robert M. MacRae	Vice-President
Marsh A. Cooper	Vice-President
P. Robert Matthew	Vice-President
John H. Colton	Secretary and Treasurer
William G. Gourlay	Assistant Secretary
John D. Balden	Assistant Treasurer

TRANSFER AGENTS

The Canada Trust Company, Vancouver, British Columbia
The Canada Trust Company, Toronto, Ontario
Chemical Bank, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Vancouver, British Columbia
National Trust Company, Limited, Toronto, Ontario
The Chase Manhattan Bank, N.A., New York, N.Y.

SHARES LISTED

New York Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, British Columbia

THE GRANBY MINING COMPANY LIMITED

Vancouver, British Columbia

March 10, 1969

To the Shareholders:

The Sixty-Eighth Annual Report of your Company is presented herewith.

At the 1968 Annual General Meeting shareholders approved a three-for-one stock split which became effective on April 26, 1968.

Net income for 1968 before extraordinary items amounted to \$1,137,222, or \$.79 per share, an increase of 37% over 1967's \$828,713, or \$.57 per share. Extraordinary items in 1967 consisted of a gain on the sale of the Copper Mountain properties in the amount of \$11,417,889 and a provision for loss on the Company's investment in Jedway Iron Ore Limited in the amount of \$330,000, for a net gain of \$.76 per share. The extraordinary item in 1968 of \$370,000, a loss of \$.26 per share, is a further amount written off the Company's investment in Jedway Iron Ore Limited.

For the fourth consecutive year dividend payments were increased, totalling \$.75 U.S. per share in 1968 compared with \$.33 1/3 U.S. per share in 1967. The current dividend rate is \$.30 U.S. per quarter.

A notable achievement was made in 1968 by Granisle Copper Limited, 48.8% owned by your Company, which completely retired its indebtedness and initiated dividend payments, currently \$.25 per quarter. Your Company, on its holding of 1,625,907 shares, received a tax-free dividend of \$406,-477 from Granisle for the fourth quarter of 1968.

At the year end, ore reserves at the Phoenix mine were estimated to be 4,500,000 tons containing .80% copper. In addition to these ore reserves, 1,800,000 tons of low-grade material estimated to contain about .40% copper have been removed and stockpiled for treatment at a later date.

The overall stripping ratio of the Phoenix ore body is 3.42 tons of waste to 1 ton of ore, but to maintain flexibility it was necessary to remove 6.52 tons of waste for each ton of ore in 1968. A heavy stripping ratio will continue until some time in 1970.

It is planned to install additional grinding and flotation equipment in the Phoenix concentrator so that about 2,400 tons per day can be treated commencing later in the year. The 25% increase in production should result in improved earnings for your Company.

Production statistics for 1968, compared with 1967, are as follows:

	1968	1967
Tons Ore Treated	698,796	713,513
Average Tons Treated per Day	1,909	1,955
Copper Content (%)	0.74	0.84
Tons Waste Removed	4,239,751	3,332,189
Saleable Metal Produced:		
Copper (Lbs.)	8,246,973	9,773,249
Gold (Ounces)	12,217	13,661
Silver (Ounces)	81,899	101,785
Average Copper Price Received per Lb.	.54.38c	.51.31c

GRANISLE COPPER LIMITED

At the year end, ore reserves amounted to 17.9 million tons containing .50% copper. It is expected that the ore to be treated in 1969 will contain .61% copper.

No further exploratory drilling was done during 1968 but studies of data from the original drilling are being carried out. Present indications are that it may prove possible to mine an additional 9 million tons.

During 1968, nine new residences were built at the town of Granisle and further improvements were made to townsite facilities.

A new union agreement terminating December 31, 1971, was negotiated with the United Steel-workers of America, representing the employees of the Company.

Details of the production for the year, compared with 1967, are:

	1968	1967
Tons Ore Treated	2,230,210	1,943,656
Average Tons Treated per Day	6,093	5,325
Copper Content (%)	0.68	0.78
Tons Waste Removed	877,316	399,886
Saleable Metal Produced:		
Copper (Lbs.)	25,138,750	24,630,823
Gold (Ounces)	14,128	15,578
Silver (Ounces)	131,883	144,326
Average Copper Price Received per Lb.	54.93c	52.25c

GENERAL

Your Company devotes a substantial effort to find new ore bodies and to extend known ones; this effort will be continued and intensified. The search encompasses the investigation of existing companies in the mining business with a view to investment or acquisition opportunities.

The Annual General Meeting of the Company will be held at the Hotel Vancouver, Vancouver, British Columbia, at 11:00 a.m., on April 25, 1969.

The Company's prosperity and excellent future prospects reflect the efforts of its employees; their contributions are gratefully acknowledged.

On behalf of the Board,
L. T. POSTLE,
President.

THE GRANBY MINING COMPANY LIMITED
 AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET
December 31, 1968
 (With comparative figures for 1967)

	ASSETS	1968	1967 (restated)
Current assets:			
Cash and short-term bank deposits		\$10,211,387	\$ 9,110,550
5 3/4 % First Mortgage Demand Debenture in Jedway Iron Ore Limited, at estimated realizable value (Note 2)		420,000	1,665,640
Accounts receivable		36,973	35,126
Income taxes refundable		—	65,143
Metals in concentrates at smelter, mill and in transit, at estimated realizable values		890,424	1,270,049
Materials and supplies, at approximate cost or less		310,554	334,230
Total current assets		11,869,338	12,480,738
Other assets:			
Investment in Granisle Copper Limited (Note 3):			
1,625,907 shares, at cost (market value December 31, 1968 \$20,323,837)		342,919	342,919
6% unsecured advances and accrued interest		—	1,062,885
		342,919	1,405,804
Investment in marketable securities, at cost (market value December 31, 1968 \$4,609,964)		3,941,181	2,819,616
Special refundable tax and sundry assets		77,002	91,039
Retirement plan contribution, less amortization (Note 4)		320,312	—
Total other assets		4,681,414	4,316,459
Property, plant and equipment:			
Mining properties, at cost		147,807	147,463
Less accumulated depletion (Note 5)		116,798	106,191
		31,009	41,272
Real estate, buildings and equipment, at cost		4,491,514	4,329,747
Less accumulated depreciation (Note 5)		2,807,026	2,445,168
		1,684,488	1,884,579
Net property, plant and equipment		1,715,497	1,925,851
		<hr/> \$18,266,249	<hr/> \$18,723,048

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED
 AND WHOLLY-OWNED SUBSIDIARY COMPANIES

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967 (restated)
Current liabilities:		
Bank loan, secured	\$ —	\$ 432,125
Accounts payable and accrued charges	288,316	282,030
Accrued payrolls	79,468	75,603
Income taxes payable	245,000	—
Total current liabilities	612,784	789,758
Deferred income taxes (Note 6)	252,000	132,000
Shareholders' equity:		
Capital stock (Note 7):		
Authorized 6,000,000 shares par value \$1.66 2/3 per share;		
issued and outstanding 1,444,371 shares	2,407,285	2,407,303
Surplus:		
Contributed surplus	513,880	513,880
Earned surplus	14,480,300	14,880,107
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Total shareholders' equity	14,994,180	15,393,987
	<hr/>	<hr/>
	17,401,465	17,801,290
Contingent liability (Note 10).		
Approved on behalf of the Board:		
L. T. POSTLE, Director		
R. M. MacRAE, Director		
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	\$18,266,249	\$18,723,048
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Granby Mining Company Limited and its wholly-owned subsidiary companies as of December 31, 1968 and the consolidated statements of income, contributed and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change (of which we approve), in the basis for providing for income taxes as described in Note 6 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
 January 31, 1969.

PEAT, MARWICK, MITCHELL & CO.,
 Chartered Accountants.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967 (restated)
Income:		
Value of production:		
Copper	\$ 4,485,156	\$ 5,015,108
Gold	499,861	547,109
Silver	196,591	163,774
	<u>5,181,608</u>	<u>5,725,991</u>
Investment and other income:		
Interest	\$ 668,441	\$ 126,280
Dividends	543,504	—
Equipment rentals and sundry	109,388	120,935
	<u>132,133</u>	<u>247,215</u>
	<u>6,502,941</u>	<u>5,973,206</u>
Expenses:		
Cost of production	3,281,826	3,223,580
Depreciation and depletion (Note 5)	585,962	576,782
Administration (Note 8)	454,227	352,105
Interest	9,488	33,890
Outside exploration	334,216	480,136
	<u>4,665,719</u>	<u>4,666,493</u>
Net profit before income taxes	<u>1,837,222</u>	<u>1,306,713</u>
Income taxes:		
Current	580,000	426,000
Deferred (Note 6)	120,000	52,000
	<u>700,000</u>	<u>478,000</u>
Net profit before extraordinary items	<u>1,137,222</u>	<u>828,713</u>
Extraordinary items:		
Gain on sale of Copper Mountain mining properties	—	11,417,889
Amount written off investment in Jedway Iron Ore Limited (Note 2)	370,000	330,000
	<u>370,000</u>	<u>11,087,889</u>
Net profit for the year	<u>\$ 767,222</u>	<u>\$11,916,602</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED
 AND WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED CONTRIBUTED AND EARNED SURPLUS
Year ended December 31, 1968
 (With comparative figures for 1967)

	1968	1967 (restated)
Contributed surplus:		
Balance at beginning of year	\$ 513,880	\$ 404,078
Premium on 7,300 shares issued during year	—	109,802
Balance at end of year	\$ 513,880	\$ 513,880
Earned surplus:		
Balance at beginning of year	\$14,880,107	\$ 3,558,754
Deduct deferred income taxes applicable to prior years (Note 6)	—	80,000
	14,880,107	3,478,754
Add net profit for the year	767,222	11,916,602
	15,647,329	15,395,356
Deduct dividends paid of \$.75 U.S. per share (\$.33 1/3 U.S. in 1967)	1,167,029	515,249
Balance at end of year	\$14,480,300	\$14,880,107

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
Year ended December 31, 1968
 (With comparative figures for 1967)

	1968	1967 (restated)
Funds provided by:		
Operations:		
Net profit (in 1967 before extraordinary items)	\$ 767,222	\$ 828,713
Add depreciation, depletion and other charges not requiring cash expenditure	663,380	497,672
Funds provided by operations	1,430,602	1,326,385
Disposal of property, plant and equipment	143,584	122,742
Reduction in non-current advances	1,062,885	565,640
Proceeds from sale of mining properties	—	8,640,500
Issue of capital stock	—	146,302
Miscellaneous	14,037	(12,044)
Total funds provided	2,651,108	10,789,525
Funds applied to:		
Investment in marketable securities	1,121,565	—
Purchase of property, plant and equipment	476,628	1,067,210
Retirement plan contribution, non-current	320,312	—
Reduction of bank loan	—	432,996
Dividends paid	1,167,029	515,249
Total funds applied	3,085,534	2,015,455
Increase (decrease) in working capital	(434,426)	8,774,070
Working capital at beginning of year	11,690,980	2,916,910
Working capital at end of year	\$11,256,554	\$11,690,980
Working capital:		
Current assets	\$11,869,338	\$12,480,738
Current liabilities	612,784	789,758
\$11,256,554	\$11,690,980	

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. The consolidated financial statements include the accounts of the company and its wholly-owned inactive subsidiaries, Phoenix Copper Company Limited and Granby Metals Corporation Limited.

2. JEDWAY IRON ORE LIMITED:

The mining operations of Jedway Iron Ore Limited ceased in February, 1968, and Jedway proceeded to dispose of its assets, the proceeds of which were used to repay part of its liability under the 5½% First Mortgage Debenture held by the company. It is considered that the estimated amount which will be recovered from the sale of its remaining assets is \$420,000 and accordingly an amount of \$370,000 has been written off the value of this investment in 1968.

3. GRANISLE COPPER LIMITED:

At December 31, 1968, the company owned 48.8% of the outstanding capital stock of Granisle Copper Limited.

A summary of the audited financial statements of Granisle Copper Limited for the year ended December 31, 1968 (with comparative figures for 1967) is as follows:

BALANCE SHEET

	Assets	December 31,	
		1968	1967
Current assets			
Refundable power and other deposits	\$ 4,024,623	\$ 3,729,903	
Property, plant and equipment	668,344	668,330	
Less accumulated depreciation	11,882,793	11,118,373	
Pre-productive expenditure less accumulated amortization	(2,419,556)	(1,314,774)	
	1,373,419	1,851,385	
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
Liabilities and Shareholders' Equity			
Current liabilities	\$ 476,939	\$ 679,964	
Deferred liabilities	—	6,534,588	
	<hr/>	<hr/>	<hr/>
Shareholders' equity:	476,939	7,214,552	
Share capital, 3,329,919 shares	2,594,982	2,594,982	
Earned surplus	12,457,702	6,243,683	
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STATEMENT OF INCOME

	Year ended December 31,	
	1968	1967
Value of production	\$ 14,142,323	\$ 13,745,996
Production costs, including administration	5,396,453	5,224,083
	<hr/>	<hr/>
Interest	8,745,870	8,521,913
	114,741	653,995
	<hr/>	<hr/>
Depreciation and amortization	8,631,129	7,867,918
	1,584,630	1,939,814
	<hr/>	<hr/>
Net profit for the year	\$ 7,046,499	\$ 5,928,104
	<hr/>	<hr/>

STATEMENT OF EARNED SURPLUS

Balance at beginning of year	\$ 6,243,683	\$ 315,579
Add net profit for the year	7,046,499	5,928,104
	<hr/>	<hr/>
Deduct dividend paid of \$.25 per share	13,290,182	6,243,683
	832,480	—
	<hr/>	<hr/>
Balance at end of year	\$ 12,457,702	\$ 6,243,683
	<hr/>	<hr/>

Depreciation of the plant, buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing balance method at 30%. Amortization of pre-productive expenditure has been calculated on the straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966.

Under Section 83(5) of the Income Tax Act the company has been granted an exemption from Federal Income Tax on its mining profits for the three years ended November 30, 1969. Accordingly, the depreciation and amortization provided by this company to December 31, 1968 of approximately \$3,700,000 has not been claimed as a deduction in computing income for Federal income tax. An exemption has also been obtained from Provincial mining taxes to November 30, 1969 under Section 3(6) of the Mining Tax Act of British Columbia.

During 1968 The Granby Mining Company Limited received a dividend of \$406,477 from Granisle Copper Limited.

4. RETIREMENT PLAN:

During 1968 the company instituted a salaried Employee's Retirement Plan which became effective on January 1, 1968. Under this plan, which is non-contributory, eligible employees may retire at the age of 65, or under certain circumstances, at an earlier age with a reduced pension. The plan is subject to discontinuance at any time. The liability for past service benefits at the time the plan was instituted was paid in 1968. It is the company's intention to amortize this amount over a period of fifteen years. The estimated yearly pension contribution of the company under the plan is \$40,000.

5. DEPRECIATION AND DEPLETION:

Depletion of the Phoenix mine and depreciation of its buildings and equipment have been calculated at 15% of the written down value of these assets at December 31, 1965, plus additions since then, at cost. Depreciation of the mobile equipment has been calculated on the diminishing balance method at 30%.

6. DEFERRED INCOME TAXES:

During the year ended December 31, 1968 the company, which previously used the taxes payable basis for accounting for taxes on income, adopted the tax allocation basis and accordingly the net income for the year 1968 is less than the amount which would have been reported if the previous basis had been used. The income statement for the previous year has been restated to place it on a comparable basis with the current year, with a consequent reduction in the reported income for that year of \$52,000. The tax allocation balances accumulated prior to the current year amounting to \$80,000 (after adjusting for the restatement of the prior year's income statement) have been recorded as a charge to earned surplus and have been included in "Deferred Income Taxes" in the accompanying consolidated balance sheet.

7. CAPITAL STOCK:

On April 26, 1968 a 3 for 1 stock split, approved by shareholders at the Annual General Meeting, became effective. The authorized share capital of the company was changed from 2,000,000 shares with a par value of \$5 per share to 6,000,000 shares with a par value of \$1.66 $\frac{2}{3}$ per share, and the issued share capital was changed from 481,457 shares with a par value of \$5 per share to 1,444,371 shares with a par value of \$1.66 $\frac{2}{3}$ per share.

Under the company's "Restricted Stock Option Plan, dated January 13, 1960", 138,000 shares of The Granby Mining Company Limited stock were reserved for the granting of options to key employees, the purchase price per share being 10% above the market value at the date of the grant. The options are for a term of ten years from the date of the grant, and there are certain limitations on the number of shares that can be acquired in the first five years. No options were granted in 1968 and there were no options outstanding at December 31, 1968. Unallocated shares under the Plan totalled 56,400 shares at December 31, 1967, and December 31, 1968.

8. ADMINISTRATION:

Remuneration of directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$218,430 in 1968.

9. Current assets and current liabilities in United States dollars have been converted into Canadian dollars at the approximate rate of exchange prevailing at December 31, 1968.

10. CONTINGENT LIABILITY:

The company is the Defendant in an action in the Supreme Court of British Columbia brought by Silver Standard Mines Ltd. (N.P.L.) against the company and Jedway Iron Ore Limited. The action is for the recovery of \$10,263 which, it is alleged, is due for interest accrued throughout the first quarter of 1968 on that part of the price for certain mineral claims purchased by Jedway Iron Ore Limited from Silver Standard Mines Ltd. (N.P.L.) amounting to approximately \$670,000 which has not been and is not now required to be paid by Jedway Iron Ore Limited to Silver Standard Mines Ltd. (N.P.L.). The company's involvement arises due to an allegation that the company is the guarantor to Silver Standard Mines Ltd. (N.P.L.) of an alleged agreement by Jedway Iron Ore Limited that even though the above approximate amount of \$670,000 is not required to be paid, interest at 6% per annum will continue to be payable thereon. It is the opinion of Counsel for the company that Silver Standard Mines Ltd. (N.P.L.) is not entitled to recover such interest from the company.

